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E-01345A-16-0036

E-01345A-16-0123

**Arizona Corporation Commission
Utilities Complaint Form**

Investigator: Mary Mee

Phone: <<< REDACTED >>>

Opinion Date: 7/25/2017

Opinion Number: 2017 - 142961

Priority: Respond within 5 business days

Opinion Codes: Other - Solar

Closed Date: 7/25/2017 9:23 AM

Rate Case Items - Opposed

First Name: Eric

Last Name: Howard

Account Name: Eric Howard

Address: <<< REDACTED >>>

City: Litchfield Park

State: AZ

Zip Code: 85340

Cell: <<< REDACTED >>>

Email: <<< REDACTED >>>

Company: Arizona Public Service Company

Division: Electric

Nature Of Opinion

Docket Number: E-01345A-16-0036

Docket Position: Against

Docket Number E-01345A-16-0123 & E-01345A-16-0036

Case Summary: APS proposed rate increase and solar customer rate structure change

Position: AGAINST

Opinion too large for database, please see details in Docket posted on July 27, 2017.

Investigation

Date:

Analyst:

Submitted By:

Type:

7/25/2017

Mary Mee

Telephone

Investigation

Comments noted for the record and docketed. CLOSED

Arizona Corporation Commission

DOCKETED

JUL 27 2017

DOCKETED BY

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL
2017 JUL 27 A 9:05

Roxanne Best

Subject: FW: DOCKET E-01345A-16-0123 --- AGAINST

Importance: High

From: Eric H

Sent: Tuesday, July 25, 2017 1:53 PM

To: Roxanne Best <RBest@azcc.gov>

Subject: DOCKET E-01345A-16-0123 --- AGAINST

Importance: High

Hello, as per your request, below is a consolidated public comment. Please utilize this correspondence as my single public comment on this case.

***** TO BE REDACTED PRIOR TO PUBLIC COMMENT LISTING *****

*
* Eric Howard *
*
* Litchfield Park, AZ 85340 *
*
*

To: Arizona Corporation Commission

Re: Docket Case #: E-01345A-16-0123

Case Summary: APS proposed rate increase and solar customer rate structure change

Position: AGAINST

Arizona Corporation Commission, a public utility commission, with stated mission: *"Our responsibility is to regulate public utilities in Arizona and to set rates that are just, fair, and reasonable for all stakeholders."*

Docket Case #16-0036, title in part says "...to fix a just and reasonable rate of return..."; case concerns APS proposed new increased rate structure, specifically crafted with punitive new rates and fee structure for customer who participate in grid-tied solar. ALL APS customers (solar, and non-solar alike), are already burdened with unreasonably high overall customer utility costs, composed of 20+ rates and fees, some of which are NOT even listed in the APS Tariff.

PART 1:

APS is a private corporation, owned by publically traded "Pinnacle West Capital Corporation". The title of case #16-0036 insinuates and demands that APS is 'entitled to', or 'guaranteed' reasonable rate of return (AKA "profit" for their venture), ***without risk***, nor ***without regards to cost efficiency of their operation***. APS is NOT a non-profit public utility. To the contrary, APS is "for-profit" private organization operating within the United States free market economy structure, but with a publicly granted license to operate as a geographic monopoly. In this case APS seems to have, or believes themselves to be operating under 'risk-free profit protection' of the Arizona public utility commission (Arizona Corporation Commission). Whereby APS deems themselves "guaranteed risk free profit", having ***NO CAPITAL RISK WHATSOEVER***, and ***NO ACCOUNTABILITY FOR EFFICIENCY OF THEIR OPERATION***, all at the expense of the public,

which is against the best interest of public policy. RISK FREE PROFITS FOR APS OWNERS, means a NATURAL INCENTIVE TO OPERATE AS INNEFFICIENTLY AS POSSIBLE (i.e. inherently lends itself to inefficient operations and business practices; examples could include: (a) too many employees and directors, (b) overly high pay and benefits for employees, (c) incentive to overspend, (d) potential for sweetheart deals with 'friendly' business organizations, contractors, and other intra-state and Inter-State utility cooperation endeavors, (c) uncontrolled and uncapped "recovery fee's", etc.). By definition, a free market operation involves capital risk for potential reward, and risk weighed of potential operational losses or breakeven without profits. The Arizona Corporation Commission is a public commission, with first priority to the public by which it was appointed, and for which it serves, not APS or any other private for-profit geographic monopoly utility company.

It is my opinion and position that the Arizona Corporation Commission is NOT responsible to "guarantee" or "lock-in risk free profits for APS", and further, it lacks the authority to do so. To the contrary, it is Arizona Corporation Commissions duty and role to first and foremost place the good of the "Public Interest" ahead of the interest of any private organization operating as a geographic monopoly for a 'utility' that is an absolute necessity for living.

I believe this means Arizona Corporation Commission only has authority and responsibility to accept and approve a all-in APS tariff rate schedule (including any and all all-encompassing list of chargeable fee's), which only represents a "rate cap" to do business within their geographic monopoly region, not a guarantee of profit or even business success. This rate cap should consistent with the mean (average) rates of electric utilities operating throughout the USA (including both non-profit public utilities, and for profit private utilities). This number should be derived by taking the entire pre-tax bill total (for each utility jurisdiction within a sample area of the United States), and divide that number by tot total KWH used, resulting in total average cost per KWH throughout the USA. The rate CAP for APS should simply be representative of that number represented by Cost/KWH (perhaps could be further stratified with a distinction for peak vs non peak). This CAP number should represent and include the sum of all rates, fees, and other charges before tax (in other words APS can slice and dice the rate however they desire, but the final total average all-in cost per KWH would thereby be capped at that average national rate per KWH, and not ever exceed in any case). This proposed 'regulation' approach to deriving a rate ceiling for APS would therefore NO LONGER be an APS derived "locked-in guaranteed risk free profit, at any expense to the public". Through this proposed new "all-in rate CAP" tariff, APS would have the business responsibility to ensure their private business goals and objectives are tooled and tuned towards efficiently operating and earning a profit for their shareholders (a profit which is neither 'built-in' nor guaranteed"). It is then up to APS to operate within the use of their monopolistic license an efficient and cost effective manor to hopefully achieve a reasonable return on investment or 'profits' for the risk taking capital investors. Should APS fail to successfully perform their business operation within these parameters, then other streamlined entities or 'competitive' alternate business would be able to join or take over the grid area whereby APS business model had failed them – in other words they would operate like any other for profit organization without guaranteed profit margin, or they would be replaced by free market, with a given rate cap that has been proven throughout the USA.

I therefore hereby reject the entire proposal for rate increase in case #16-0036 which is now before the commission, and urge the Commission to concur with my assessment and conclusion, if for no other reason than based upon my assessment herein, as even the existing APS tariff methodology is flawed. As indicated herein, is my position and proposal that the Arizona Corporation Commission hereby 'start over' and reassess the methodology by which APS tariffs are currently approved.

I hereby request a formal response from the Arizona Corporation Commission (ACC), from my inquiry on this matter herein; specifically:

ACC's role is impartially, and fairly 'regulate' utility costs in Arizona.

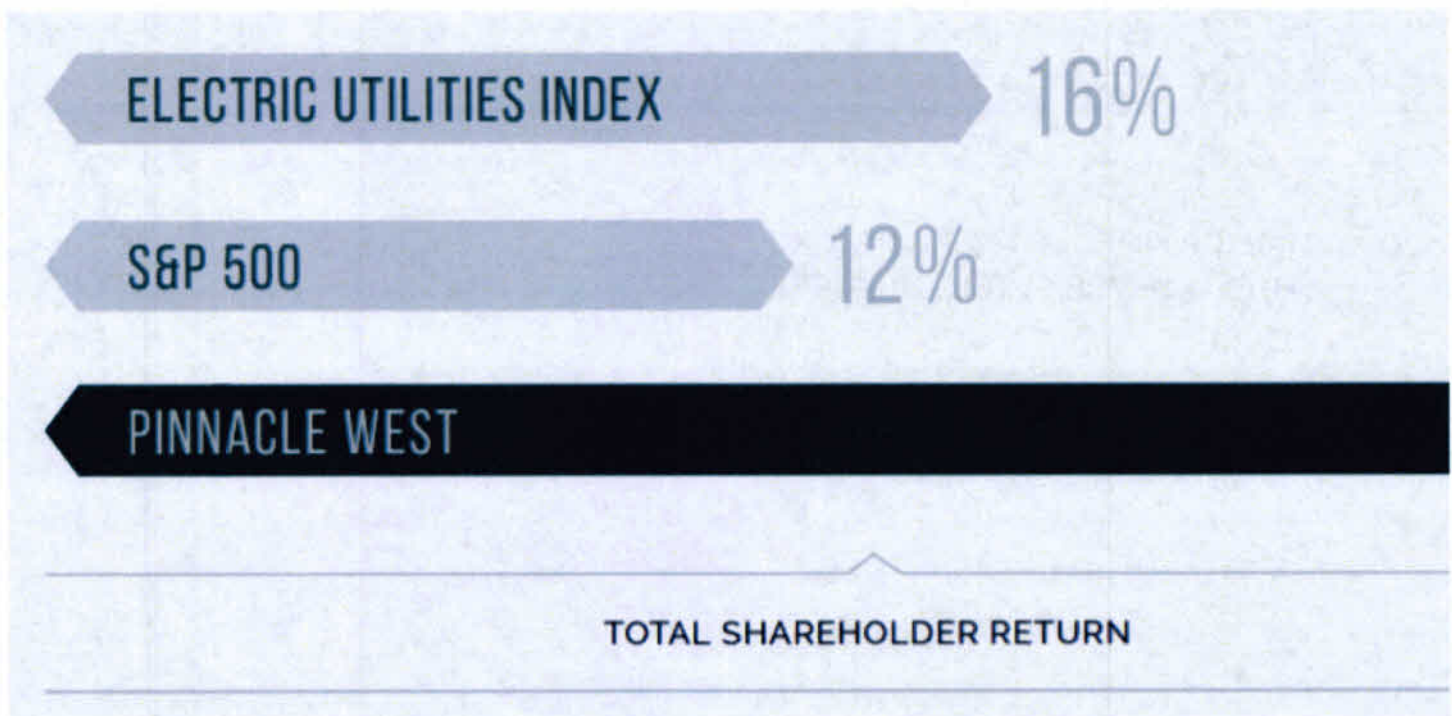
1. Does ACC concur that the 'public interest' is first and foremost in priority of ACCs mission objective? Or is it the commissions position that the guaranteed risk free profit of privately owned APS, shouldered by the taxpayer and utility customer, is the first priority in the commissions objective? Cannot be both.

PART 2:

Dear ACC Commission:

This is a supplemental attachment regarding DOCKET E-01345A-16-0123

Embedded below is a headline clip from Pinnacle West Capital's 2016 annual report (Pinnacle West Capital is the sole owner of APS, with APS representing the majority of Pinnacle West Capital's holdings). In this earnings headline Pinnacle West Capital is boasting about their hefty 25% annual return for investors, whereby they contrast how well they outperformed both the entire electric utility index, as well as the S&P 500 by a wide and impressive margin. To put this into perspective, for each \$1.00 invested by shareholders of Pinnacle West Capital at the beginning of 2016, their value had increased to \$1.25 within 12-months (or 2.1% increase per month). This is an outrageous rate of return. Does ACC deem this to be "just, fair, and reasonable return"? Does ACCs interpretation of "Stakeholders" include the Arizona public (i.e. APS customers)? If so, how can this be deemed "just, fair, and reasonable for all Stakeholders"?



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**TWENTY-
SEVEN**

TIMES PINNACLE WEST STOCK
HIT A 52-WEEK HIGH IN 2016

PHOENIX I
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AMONG AMERICA'S TOP 15

STOCK PERFORMANCE COMPARISON

(value of \$100 invested as of December 31, 2011, with dividends reinvested)



In addition to owning APS, Pinnacle West Capital also owns "four-Corners" company. Each month APS bills its customers a fee listed as "FOUR-CORNERS ADJUSTMENT", yet the Four-Corners fees are NOT on the APS Tariff. How and why does the Commission allow APS to charge special fees, for their sister company, that are NOT on the APS tariff? With Pinnacle West Capital being owner of both APS and Four-Corners, doesn't the commission view that as a direct conflict of interest and against best interest of public? Further, at least one of the executive VPs at APS was or still is a director, VP, or board member of Four-Corners. I respectfully request the Commission to address these concerns for the public.

1. Pinnacle owns both APS and Four-Corners. APS bills its customers a "Four-Corners Adjustment" fee each month. Is this not a conflict of interest?

2. APS Tariff does NOT include a Four-Corners fee. Was the Commission aware of this? How and why does the Commission allow this, and by what process was this allowed? Why isn't Four Corners fee listed on the APS Tariff, and is it legal for APS to charge this without first having been listed on the tariff?

Part 3:

It is my opinion, which is overwhelming shared by nearly all of the Arizona customers served by APS, that the Commission should reject the entirety of Docket Case 16-0036. But more specifically to my public objection herein, is any and all adverse proposed actions against private solar customers (either existing or new solar customers).

APS was generously awarded or granted a natural geographic monopoly over specific areas of operation throughout Arizona. Within these areas the public has absolutely no choice of using any electric provider other than APS. Most, if not all APS customers, are of the belief that they are already price gouged by APS for rates + fees (20+ fees in total, some of which are NOT listed on their tariff schedule). When comparing APS all-in rates to that of other utilities within the united states, APS all-in rates are off the chart expensive. The only possible option for these captive customers to mitigate the circumstances is to install a grid-tied solar system (only fortunate customers who are home owners with adequate rooftop space even have this option). These solar systems are expensive to install, and even under the existing APS rates the payback period after Federal and State incentives averages between 11-13 years (which is already not a good payback). APS's "grid segments" are already benefiting from grid-tied solar, as are APS solar customers (giving customers the option of mitigating their reliance upon APS).

APS executives claim the "solar" customers are not paying their fair share of the pie, which they claim is forcing the non-solar customers to pay a higher rate to subsidize solar customers. This is a fallacious and nonsensical argument. If a "non-solar" customer uses 100 KWH in a day, then (a) 100% of that energy had to be produced and purchased from a generation plant, (b) 100% had to be transported via high capacity long-haul transport lines, (c) 100% had to be transported via smaller local grid transport, and (d) 100% had to be 'delivered' to customer. Whereas if a "solar" customer produces 100 KWH in a day and utilizes 80% of the energy it has produced upon production, and the other 20% later in the evening, then that customer only sends 20% of the excess power only over the local grid to serve his neighbor's power need during peak-hours, and later in the evening the solar customer demands only the same 20% during evening usage. In practical terms this means the solar customer helped APS to lower their overall grid usage, peak load costs, and power generation plus grid wear and tear by over 80% (Non-Solar customer (a, b, c, d) = 100%. Solar customer (a, b, c, d) = <20%). APS clearly endeavors to stifle the addition of new solar generation customers as it reduces gross revenues for APS, which is a for-profit private organization.

It is my position that APS is endeavoring to use their clout and political power, through this case, to curb and subdue the addition of customer based solar generation systems by ruining the economic incentive for doing so. The Commission hereby, must NOT approve any proposed adverse rate changes to existing or new solar customers at all. Doing so would be unjustified, unwarranted, against public policy, and simply not fair to the public.

Respectfully,
Eric Howard